



## **Staff Report for Audit Committee Meeting**

**Date of Meeting:** November 9, 2021

**Report Number:** SRCFS.21.046

**Department:** Corporate and Financial Services  
**Division:** Financial Services

**Subject:** Capital Budget Financial Monitoring Policy  
(SRCFS.21.046)

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### **Purpose:**

To adopt a Capital Budget Financial Monitoring Policy that provides guidelines and delegated authority for in-year capital budget requests.

### **Recommendation(s):**

- a) That the proposed Capital Budget Financial Monitoring Policy for the City of Richmond Hill as outlined in Appendix "A" of SRCFS.21.046 be approved.

### **Contact Person:**

Gigi Li, Manager Fiscal Planning and Strategy, Ext. 6435

Diana Selicean, Capital and Reserves Management Advisor, Ext. 6427

### **Report Approval:**

**Submitted by:** Sherry Adams, Commissioner of Corporate and Financial Services

**Approved by:** Mary-Anne Dempster, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

### **Background:**

The City of Richmond Hill's Council and staff are committed to demonstrate responsible financial leadership and sustainability by establishing a Capital Budget Financial Monitoring Policy to assist in formalizing a defined and transparent process for administration, management and reporting of one-time capital budget requests and funding outside the annual capital budget process.

The current City financial by-laws that relate to capital budgets provide guidelines on capital purchase amendments within approved budgets with the exception of emergency projects and

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amendments related to existing capital projects. In the interest of maximizing operational efficiency and addressing time sensitive opportunities that may arise during the year prior to capital budget approvals, it was recommended as part of the 2021 Capital Budget LEAN Review that an in-year capital process be established.

A considerable effort is expended in assessing the capital projects that are included in the Capital Budget. However, throughout the year, there may be a need to commence or otherwise commit to a project that was not anticipated during the annual capital budget or additional funds may be required for an existing project. An established in-year capital process and delegated authority ensure operating efficiency and flexibility, clear control frameworks and reporting mechanisms are in place.

Municipal benchmarking was completed and best practices considered. Most municipalities surveyed have Council approved policy or guidelines to outline the in-year capital budget process, various levels of delegated authority, governance and reporting.

The Capital Budget Financial Monitoring Policy is designed to work in conjunction with provincial regulations, Municipal Act and other City Policies and By-laws. This includes policies, by-laws and standards related to procurement, risk management and financial control.

### Policy and Guiding Principles

The Capital Budget Financial Monitoring Policy provides the framework for requesting, authorizing, monitoring and reporting in-year capital budget adjustments for the following situations:

- Unplanned situations for which no budget was previously established or approved:
  - Grants or third party funded projects
  - Emergency purchases
  - Unforeseen – new, scope, efficiency, time sensitive projects
- Existing projects for which a budget increase is required

#### **Unplanned situations for which no budget was previously established or approved**

##### **Grant or third party funded projects**

At times grants or third party funding becomes available after capital budget approval. Grant applications are time sensitive and come with tight timelines. This policy allows staff to start and submit grant applications in a timely manner while receiving approvals in order to secure the funds.

The Treasurer may authorize and submit grant applications for City funding not exceeding \$500,000. For all grant applications where City funding exceeds \$500,000, a staff report will be provided to Council for approval.

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### Emergency purchases

Expenditures of an emergency nature shall be subject to the provisions of the applicable clause of the Procurement By-law. The commissioner's approval is required, the Treasurer is informed to advise and approve funding. The project cost and funding are reported to Council as part of the Capital Project Financial Status Report.

### Unforeseen - new, time sensitive projects

Unbudgeted capital expenditures for new projects due to unforeseen situations, new and projects that are time sensitive and deemed essential may be undertaken provided that the applicable approvals are obtained prior to commitment.

Commissioners, with the concurrence of the City Manager, upon recommendation from Directors may authorize a budget allowance not exceeding \$100,000. The Treasurer will be notified and to authorize the appropriate funding commitments.

For all requests exceeding \$100,000, a staff report will be provided to Council for approval.

Unforeseen situations may include but are not limited to:

- Changes in service level that need to be addressed immediately;
- New information that was not available at the time of the capital budget request;
- New legislative requirements;
- Capital expenditures that require payments to regulated authorities as defined in the Procurement By-law such as CN Rail, VIVA, York Region Transit, Enbridge and/or other utilities or telecommunication organizations operating within and across municipal right-of-ways or other City lands;
- Efficiencies related to procurement complications (HST rebate);
- Project scope change identified.

Change orders due to scope change for capital purchases should continue to be subject to the delegated authority section of the Procurement By-law and Financial Control by-law that provide for delegated authority for the City Manager jointly with Commissioners for a maximum of 10% of acquisition value or \$100,000, given that budget is not exceeded.

A summary of the project category, approval threshold, authority and reporting mechanisms for in year adjustments of unbudgeted capital projects is illustrated in below table.

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<b>Project Category</b>	<b>Threshold</b>	<b>In-year Adjustment Authority</b>	<b>Reporting</b>
<b>100% Grant/Third parties funded</b>		Treasurer	Capital Project Financial Status Report
<b>&lt;100% Grant/Third parties funded</b>	•City Share <= \$500,000	Treasurer	Capital Project Financial Status Report
	•City Share > \$500,000	City Manager/Treasurer	Staff Report to Council
<b>Emergency</b>	N/A	Commissioner/Treasurer	Capital Project Financial Status Report
<b>Unforeseen – new, time sensitive</b>	0 to 100,000	Commissioner / City Manager and Treasurer	Capital Project Financial Status Report
	>100,000	N/A	Staff Report to Council

**Existing projects for which a budget increase is required**

The life of capital projects may range from under a year to several years and as such the requirements, conditions and estimates may change, resulting in variances from the originally approved budget due to labor or materials cost increase, new regulatory requirements, site constraints, survey, unsuitable fill, etc.

In cases where these changes exceed an established Council approved capital budget to date for a project, project managers shall identify the required budget/purchase amendment and secure the applicable approvals from senior management in collaboration with the Treasurer in advance of proceeding with any related purchase commitments.

In the interest of maximizing operational efficiency and reducing delays to complete the required works, Directors, Commissioners, City Manager and the Treasurer may authorize a budget increase not exceeding \$250,000.

For all requests exceeding \$250,000, a staff report will be provided to Council for approval.

Under special circumstances (i.e. Council recess) when Council authorization cannot be achieved in a timely manner, the City Manager can approve work continuance with a follow up Council report outlining the situation and capital project amendments. Departmental memo to City Manager outlining the special circumstances and need for immediate resolution to prevent adverse financial or project outcomes is required.

A summary of the project category, approval threshold, authority and reporting mechanisms for in year adjustments of existing projects is illustrated in table below.

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Project Category	Project Threshold	In-Year Adjustment Authority	Reporting
Existing Project - Additional Budget Required	Lesser of • 0 to 250,000 • 25% of project budget* cap	Director/Treasurer: lesser of \$100,000 and 25% capital project budget*	Capital Project Financial Status Report
		Commissioner/Treasurer: lesser of \$250,000 and 25% capital project budget*	Capital Project Financial Status Report
		City Manager/Treasurer: up to \$250,000 and more for exceptional situations for work continuance	Capital Project Financial Status Report
	>250,000	N/A	Staff Report to Council

### Annual Reporting

Financial Services will continue to report to Council as part of the Capital Budget Process on the status of all capital projects and any in-year capital requests. Departments will be required to provide the capital project information and the necessary documentation in accordance with the procedures and timelines.

The report will provide an update of the status of active Capital Projects, including any recommended budget and funding adjustments, project closures, and a summary of the corporate performance for the reporting period.

### Financial/Staffing/Other Implications:

There are no financial/staffing/other implications to the implementation of the new Capital Budget Financial Monitoring Policy.

### Relationship to Council Strategic Priorities 2020 and 2022:

Implementation of the Capital Budget Financial Monitoring Policy reflects wise management of resources and also touches on other goals within the Strategic Priorities: Fiscal Responsibility in Richmond Hill to serve as a role model for municipal management.

### Conclusion:

The implementation of the new Capital Budget Financial Monitoring Policy represent efforts to continuously improve our financial control frameworks and to rest accountability appropriately within the organization, while being transparent about our policies and practices to ensure best value for the residents of Richmond Hill.

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### **Attachments:**

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call contact person listed in this document.

- Appendix A - Capital Budget Financial Monitoring Policy